

2013 DRAFTING REQUEST

Bill

Received: **10/8/2012** Received By: **mgallagh**
Wanted: **As time permits** Same as LRB:
For: **Administration-Budget 6-7597** By/Representing: **Ley**
May Contact: Drafter: **mgallagh**
Subject: **Econ. Development - misc.** Addl. Drafters:
Econ. Development - tax incentives Extra Copies: **RAC**

Submit via email: **YES**
Requester's email:
Carbon copy (CC) to: **michael.gallagher@legis.wisconsin.gov**
fern.knepp@legis.wisconsin.gov

Pre Topic:

DOA:.....Ley, BB0154 -

Topic:

Eliminate enterprise zone tax credit original equipment manufacturer requirement

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	mgallagh 1/23/2013	evinz 1/23/2013	jmurphy 1/23/2013	_____	lparisi 10/26/2012		State
/P2	mgallagh 2/13/2013	evinz 2/13/2013	jfrantze 2/13/2013	_____	lparisi 1/23/2013		State
/P3				_____	srose		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
				<hr/>	2/13/2013		

FE Sent For:

<END>

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/P2		1/23 eev 2/13/13		_____	lparisi 1/23/2013		State

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DM
10/23/13 *self*

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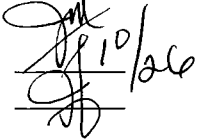
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/P1	mgallagh	pl eev 10/26/12	pl eev 10/26/12				

FE Sent For:

<END>

Gallagher, Michael

From: Hanaman, Cathlene
Sent: Monday, October 08, 2012 8:57 AM
To: Gallagher, Michael; Knepp, Fern
Subject: FW: Statutory Language Drafting Request

From: Emily.Ley@wisconsin.gov [mailto:Emily.Ley@wisconsin.gov]
Sent: Friday, October 05, 2012 2:21 PM
To: Hanaman, Cathlene
Cc: Frederick, Caitlin - DOA; Ley, Emily A - DOA; Thornton, Scott - DOA
Subject: Statutory Language Drafting Request

WEDC

Biennial Budget: 2013-15

DOA Tracking Code: BB0154

Topic: Modify the Enterprise Zone Tax Credit Program Eligibility Criterion regarding OEMs

SBO Team: TLGED

SBO Analyst: Ley, Emily - DOA
Phone: 608-266-7597
E-mail: Emily.Ley@wisconsin.gov

Agency Acronym: WEDC

Agency Number: 192

Priority: Medium

Intent: Eliminate the requirement under the Enterprise Zone Program (s. 238.399, Wis. Stats.) that specifies a manufacturing business must be an original equipment manufacturer (OEM) with a significant supply chain in the state.

Attachments: False

Please send completed drafts to statlanguage@wisapps.wi.gov

Wisconsin Economic Development Corporation

2013/15 Biennial Budget

Enterprise Zone Program – Eligibility Criterion Regarding OEMs

The Wisconsin Economic Development Corporation (WEDC) proposes to amend state law governing the Enterprise Zone Tax Credit Program. The proposal would remove a provision affecting eligibility for job retention tax credits that limits benefits to a business that is an original equipment manufacturer.

Background

The WEDC administers a variety of tax credit programs, including the jobs, economic development, development opportunity zone, and enterprise zone tax credit programs. The programs offer tax benefits to businesses to support projects that help create or retain jobs, provide employment training or require significant new capital investment in Wisconsin-based facilities or operations. The Enterprise Zone Program also provides tax benefits based on the value of goods or services purchased from Wisconsin-based suppliers. The statute authorizes the WEDC to designate not more than 20 enterprise zones; consequently its use is reserved only for very high impact projects. Generally speaking, that impact is measured in terms of a project's effect on employment in the state – especially through the creation of new jobs, but also the retention of existing jobs that might be endangered.

The program extends certification under several eligibility categories. One of those categories pertains to a business that commits to retain jobs within an enterprise zone. Under current law, certification under this category is available to a business that has more than 500 full-time employees in the enterprise zone or is an original equipment manufacturer with a significant supply chain in the state.

The availability of tax benefits for job retention was not part of the original enterprise zone legislation. The ability to earn retention credits occurred as part of a subsequent expansion to the program. It was designed to help support specific development opportunities that were then before the state – opportunities that involved original equipment manufacturers. The new provision recognized that benefits accrue to the state when large businesses purchase supplies and services from Wisconsin-based vendors and it sought to encourage such relationships. However, significant vendor relationships between businesses are not necessarily dependent upon one of them being an OEM. By removing the condition that an OEM be involved, the proposed change ensures that non-OEMs, too, are eligible to qualify for enterprise zone certification.

Remove the OEM Manufacturing Condition From the Enterprise Zone Tax Credit Program

Remove language that specifies that only original equipment manufacturers can take advantage of significant in-state supply chain relationships to qualify for job retention credits under the enterprise zone program.

It is possible the proposal could result in a non-OEM business receiving job retention credits it would not previously have been qualified to receive. However, the change is not expected to have a significant

fiscal impact because the enterprise zone program's use is driven primarily by projects that create new jobs.

Gallagher, Michael

From: Ley, Emily A - DOA <Emily.Ley@wisconsin.gov>
Sent: Wednesday, October 24, 2012 7:17 PM
To: Gallagher, Michael
Subject: WEDC -OEM request
Attachments: WEDC Eligibility Criterion re OEMs.docx

Hi Mike,

Here is the response from WEDC in the form of an issue paper. I'm still not entirely clear how they want to edit existing stats, because from the issue paper it sounds like they would like to keep the requirement that businesses have a significant supply chain in the state. I have already asked for more clarification. I apologize for how long it took to get back to you; WEDC has had some turnover in their policy department and it took a while to find someone who could answer our questions.

I'll be in touch with anything I hear back on the OEMs, let me know if other questions come up.

Emily Ley
Executive Policy & Budget Analyst
Department of Administration
Division of Executive Budget and Finance
(608)-266-7597
emily.ley@wisconsin.gov

Gallagher, Michael

From: Ley, Emily A - DOA <Emily.Ley@wisconsin.gov>
Sent: Thursday, October 25, 2012 5:49 PM
To: Gallagher, Michael
Subject: RE: WEDC -OEM request

Hi Mike,
Here is the final word from WEDC:

See 2011 SB 477, section 16. We'd retain the supply chain requirement, merely striking the words "original equipment" (and also striking "by rule", as it's no longer applicable anyway).

Emily

From: Gallagher, Michael [<mailto:Michael.Gallagher@legis.wisconsin.gov>]
Sent: Thursday, October 25, 2012 7:40 AM
To: Ley, Emily A - DOA
Subject: RE: WEDC -OEM request

Perhaps the intent is to keep the significant supply chain element. If so, the draft would amend current law so that the WEDC may certify a business for tax credits that retains jobs in an enterprise zone and either has a significant supply chain in the state or has 500+ employees in the state. That would work. If you want me to go ahead and draft it that way pending any clarification from WEDC, let me know. I can get that out pretty quickly and follow-up with a redraft later if necessary.

Mike

Michael P. Gallagher
Legislative Attorney
Legislative Reference Bureau
(608) 267-7511
michael.gallagher@legis.wisconsin.gov

From: Ley, Emily A - DOA [<mailto:Emily.Ley@wisconsin.gov>]
Sent: Wednesday, October 24, 2012 7:17 PM
To: Gallagher, Michael
Subject: WEDC -OEM request

Hi Mike,
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I'll be in touch with anything I hear back on the OEMs, let me know if other questions come up.

Emily Ley
Executive Policy & Budget Analyst

Department of Administration
Division of Executive Budget and Finance
(608)-266-7597
emily.ley@wisconsin.gov



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0232/P1

MPG.....

eev'sac

DOA:.....Ley, BB0154[✓] - Eliminate enterprise zone tax credit original equipment manufacturer requirement^S

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

D-Late

Insert

don't get

1 AN ACT ^{relating to}; relating to: the budget.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Under current law, WEDC administers an enterprise zone tax credit program. Under that program, WEDC may designate certain areas within Wisconsin as enterprise zones and may certify a business to receive income and franchise tax credits if the business retains jobs in an enterprise zone or satisfies one or more of a number of other requirements to qualify for enterprise zone tax credits.

With respect to a business's job retention, WEDC may certify a business for tax credits that retains jobs in an enterprise zone only if the business is an original equipment manufacturer with a significant supply chain in Wisconsin and satisfies other specific requirements.

This bill eliminates the requirement that a business that retains jobs in an enterprise zone must be an original equipment manufacturer with a significant supply chain in Wisconsin in order for the business to qualify for enterprise zone tax credits based on that job retention.

under certain conditions

makes a significant capital investment in property located in the enterprise zone; and either

or employs more than 500 full-time employees in the enterprise zone

For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

^{x x}
SECTION 1. 238.399 (1) (am) 2. of the statutes is amended to read:

238.399 (1) (am) 2. The corporation may ~~by rule~~ specify circumstances under which the corporation may grant exceptions to the requirement under subd. 1. that a full-time employee means an individual who, as a condition of employment, is required to work at least 2,080 hours per year, but under no circumstances may a full-time employee mean an individual who, as a condition of employment, is required to work less than 37.5 hours per week.

amended to read:

History: 2005 a. 361; 2007 a. 20, 97, 100; 2009 a. ^{x x} 11, 28, 266, 267; 2011 a. 26; 2011 a. 32 s. 3437; Stats. 2011 s. 238.399; s. 13.92 (1) (bm) 2., (2) (i).

SECTION 2. 238.399 (5) (d) 1. of the statutes is repealed.

⁺
SECTION 3. 238.399 (6) (g) (intro.) of the statutes is amended to read:

238.399 (6) (g) (intro.) The corporation shall adopt rules policies and procedures specifying all of the following:

History: 2005 a. 361; 2007 a. 20, 97, 100; 2009 a. ^{x x} 11, 28, 266, 267; 2011 a. 26; 2011 a. 32 s. 3437; Stats. 2011 s. 238.399; s. 13.92 (1) (bm) 2., (2) (i).

SECTION 4. 238.399 (6) (g) 2. of the statutes is repealed.

(END)

d-note

Insert 2-8

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0232/P1dn

MPG.....

eev & sac

-date-

amending

to delete

Emily Ley:

Please review this draft carefully to ensure that it is consistent with ~~the~~ *intention* intent.

In addition to repealing s. 238.399 (5) (d) 1, which sets forth the original equipment manufacturer requirement to be repealed in the draft, the draft also repeals the corresponding provision under s. 238.399 (6) (g) 2, which requires that WEDC's rules define what it means to be "an original equipment manufacturer with a significant supply chain in the state" *(see also the treatment of "rule" explained below)*

language Please note that this draft additionally makes technical changes to s. 238.399. In particular, I have removed a reference to "rule" under s. 238.399 (1) (am) 2, and I have changed a reference to "rules" under s. 238.399 (6) (g) to "policies and procedures." The references to "rules" in ch. 238 were inadvertently carried over in 2011 Wisconsin Act 32 when many economic development programs from the former Department of Commerce were transferred to WEDC. WEDC is not an agency and does not promulgate rules. The references to "rules" could create confusion concerning what WEDC is required to do or the legal status of any "rules" it develops. Are these technical changes okay?

Please let me know if you have any questions.

Thank you.

and (5)(d) 1.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

**2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0232/P1ins
MPG:.....

1 INSERT 2-8

2 ^{*}
SECTION 1. 238.399 (5) (d) 1. of the statutes is amended to read:

3 238.399 (5) (d) 1. The business is ~~an original equipment~~ a manufacturer with
4 a significant supply chain in the state, as determined by the corporation by rule.

History: 2005 a. 361; 2007 a. 20, 97, 100; 2009 a. 11, 28, 266, 267; 2011 a. 26; 2011 a. 32 s. 3437; Stats. 2011 s. 238.399; s. 13.92 (1) (bm) 2., (2) (i).

5 END INSERT 2-8



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0232/P1
MPG:eev&sac:jf

DOA:.....Ley, BB0154 - Eliminate enterprise zone tax credit original equipment manufacturer requirement

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

d-note

don't gen

1 AN ACT . . . relating to: the budget.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Under current law, WEDC administers an enterprise zone tax credit program. Under that program, WEDC may designate certain areas within Wisconsin as enterprise zones and may certify a business to receive income and franchise tax credits if the business retains jobs in an enterprise zone under certain conditions, or satisfies one or more of a number of other requirements to qualify for enterprise zone tax credits.

With respect to a business's job retention, WEDC may certify a business for tax credits that retains jobs in an enterprise zone if the business makes a significant capital investment in property located in the enterprise zone, and either is an original equipment manufacturer with a significant supply chain in Wisconsin or employs more than 500 full-time employees in the enterprise zone.

This bill eliminates the requirement that a business that retains jobs in an enterprise zone must be an original equipment manufacturer in order for the business to qualify for tax credits based on that job retention.

but ^{that} employs 500 or fewer full-time employees in the enterprise zone,

For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 238.399 (1) (am) 2. of the statutes is amended to read:

238.399 (1) (am) 2. The corporation may ~~by rule~~ specify circumstances under which the corporation may grant exceptions to the requirement under subd. 1. that a full-time employee means an individual who, as a condition of employment, is required to work at least 2,080 hours per year, but under no circumstances may a full-time employee mean an individual who, as a condition of employment, is required to work less than 37.5 hours per week.

SECTION 2. 238.399 (5) (d) 1. of the statutes is amended to read:

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SECTION 3. 238.399 (6) (g) (intro.) of the statutes is amended to read:

238.399 (6) (g) (intro.) The corporation shall adopt rules policies and procedures specifying all of the following:

SECTION 4. 238.399 (6) (g) 2. of the statutes is repealed.

(END)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0232/P1dn
MPG:eev&sac:jf

October 26, 2012

Emily Ley:

Please review this draft carefully to ensure that it is consistent with the intent.

In addition to amending s. 238.399 (5) (d) 1. to delete the original equipment manufacturer language, the draft also repeals the corresponding provision under s. 238.399 (6) (g) 2., which requires that WEDC's rules define what it means to be "an original equipment manufacturer with a significant supply chain in the state" (see also the treatment of "rule" explained below).

Please note that this draft additionally makes technical changes to s. 238.399. In particular, I have removed a reference to "rule" under s. 238.399 (1) (am) 2. and (5) (d) 1., and I have changed a reference to "rules" under s. 238.399 (6) (g) to "policies and procedures." The references to "rules" in ch. 238 were inadvertently carried over in 2011 Wisconsin Act 32 when many economic development programs from the former Department of Commerce were transferred to WEDC. WEDC is not an agency and does not promulgate rules. The references to "rules" could create confusion concerning what WEDC is required to do or the legal status of any "rules" it develops. Are these changes okay?

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Gallagher, Michael

From: Ley, Emily A - DOA <Emily.Ley@wisconsin.gov>
Sent: Tuesday, January 22, 2013 3:35 PM
To: Gallagher, Michael
Subject: Final modifications

Hi Mike,

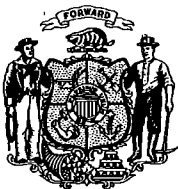
I'm sorry to harass you with so many emails today. I'm pretty confident (or at least hopeful) that these are the last two changes I'll need for WEDC's draft requests.

0231/P2, Eliminate enterprise zone tax credit 10 percent capital investment requirement– please change the effective date to taxable years beginning on January 1, 2013.

0232/P1, Eliminate enterprise zone tax credit original manufacturer requirement– please change the effective date to taxable years beginning on January 1, 2013.

Thank you Mike,

Emily Ley
Executive Policy & Budget Analyst
Department of Administration
Division of Executive Budget and Finance
(608)-266-7597
emily.ley@wisconsin.gov



Stays

DOA:.....Ley, BB0154 - Eliminate enterprise zone tax credit original equipment manufacturer requirement

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

PWG
Jan 1/23

Insert

don't gen

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This bill eliminates the requirement that a business that retains jobs in an enterprise zone, but that employs 500 or fewer full-time employees in the enterprise zone, must be an original equipment manufacturer in order for the business to qualify for tax credits based on that job retention.

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(END)

Insert 2-14

2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0232/P2ins
MPG:eev&sa;jf



1 INSERT 2-14

2 SECTION 9350. Initial applicability; Wisconsin Economic Development
3 Corporation.

4 (1) CHANGES TO ENTERPRISE ZONE CERTIFICATIONS. The treatment of section
5 238.399 (5) (d) 1. of the statutes first applies to taxable years beginning on January
6 1, 2013.

7 END INSERT 2-14



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0232/P2

MPG:eev:jm

DOA:.....Ley, BB0154 - Eliminate enterprise zone tax credit original equipment manufacturer requirement

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

D-Note

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SECTION 9350. Initial applicability; Wisconsin Economic Development Corporation.

(1) CHANGES TO ENTERPRISE ZONE CERTIFICATIONS. The treatment of section 238.399 (5) (d) 1. of the statutes first applies to taxable years beginning on January 1, 2013.

(END)

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0232/P3dn
MPG:eev:jm

and LRB-0232/P2, and
LRB-0231/P3

Emily Ley:

This draft reconciles ~~LRB-0232/P2~~ and LRB-0367/1. Both LRB-0232 and LRB-0367 should continue to appear in the compiled bill.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0232/P3dn

MPG:eev:jf

February 13, 2013

Emily Ley:

This draft reconciles LRB-0367/1, LRB-0232/P2, and LRB-0231/P3. LRB-0231, LRB-0232, and LRB-0367 should continue to appear in the compiled bill.

Michael Gallagher
Legislative Attorney
Phone: (608) 267-7511
E-mail: michael.gallagher@legis.wisconsin.gov



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0232/P3
MPG:eev:jf

DOA:.....Ley, BB0154 - Eliminate enterprise zone tax credit original equipment manufacturer requirement

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** the budget.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Under current law, WEDC administers an enterprise zone tax credit program. Under that program, WEDC may designate certain areas within Wisconsin as enterprise zones and may certify a business to receive income and franchise tax credits if the business retains jobs in an enterprise zone under certain conditions, or satisfies one or more of a number of other requirements to qualify for enterprise zone tax credits.

With respect to a business's job retention, WEDC may certify a business for tax credits that retains jobs in an enterprise zone if the business makes a significant capital investment in property located in the enterprise zone, and either is an original equipment manufacturer with a significant supply chain in Wisconsin or employs more than 500 full-time employees in the enterprise zone.

This bill eliminates the requirement that a business that retains jobs in an enterprise zone, but that employs 500 or fewer full-time employees in the enterprise zone, must be an original equipment manufacturer in order for the business to qualify for tax credits based on that job retention.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 238.399 (5) (d) 1. of the statutes is amended to read:

238.399 (5) (d) 1. The business is an original equipment a manufacturer with a significant supply chain in the state, as determined by the corporation by rule.

SECTION 2. 238.399 (6) (g) 2. of the statutes is repealed.

SECTION 9350. Initial applicability; Wisconsin Economic Development Corporation.

(1) CHANGES TO ENTERPRISE ZONE CERTIFICATIONS. The treatment of section 238.399 (5) (d) 1. of the statutes first applies to taxable years beginning on January 1, 2013.

(END)